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A subsidiary of Pinnacle West Capital C

Justin H. Thompson  
Manager  
Regulation, Policy & Analysis

Tel. 602-250-2060  
Fax 602-250-3003  
e-mail Justin.Thompson@aps.com

Mail Station 9708  
PO Box 53999  
Phoenix, Arizona 85072-3999

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November 21, 2005

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007-2996

Re: Docket No. E-01345A-05-0414  
APS Energy Wise Weatherization Low Income Program

Reference: Additional Information Regarding DSM Energy Wise Low Income  
Weatherization Program, dated November 14, 2005

Dear Madam or Sir,

In the referenced filing, APS provided additional flexibility language for the subject DSM program. After discussions with and input from the DSM Collaborative working group, APS has made minor changes to the referenced filing and the updated version is attached. This submittal supersedes the referenced filing.

If you have any questions, please contact me.

Sincerely,

Justin H. Thompson  
Manager  
Regulation, Policy & Analysis

JHT/AKK

Attachment

cc: Docket Control (Original, plus 13 copies)  
B. Keene  
E. Andreasen  
J. Anderson

AZ CORP COMMISSION  
DOCUMENT CONTROL

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(1) The Societal net benefit does not include the monetary value of the environmental externalities that are saved. The externalities are shown in the table below, along with the physical quantities of the emissions emitted and resources consumed. These have a monetary value that is not quantified.

Externalities – emissions reductions based on 50,503 mWh saved
SOx – 217 pounds
NOx – 8,687 pounds
CO2 – 46,311,516 pounds
PM10 – 1,197 pounds
Water – 11,767,266 gallons

## Program Budget Flexibility

Although APS has provided estimates based on the best available information in this document, it is anticipated that flexibility will be needed within the DSM portfolio in order to maximize program effectiveness, react to market conditions and customer responses, and limit administrative burden.

The following flexibility will be employed in the management of the DSM portfolio of programs and will not require additional Commission approval to implement unless otherwise indicated:

- Funding may be shifted as needed between the following budget categories within each individual program: Training and Technical Assistance, Consumer Education, Program Marketing, and Program Implementation. Such changes do not cause an impact to a program's benefit/cost ratio as measured by the Societal Cost Test.
- APS may adjust program rebates and incentive levels as needed, to react to market responses and opportunities, without prior notice to the Commission, for all measures as long as the incentive level does not move above 50% of the projected incremental cost of the energy efficiency measure. In addition, the incentive expenditures within each program may vary from initial budget estimates based on market conditions and customer adoption levels.
- As a general guideline, program incentive levels will be set at or below 50% of a customer's incremental cost. However, factors such as reasonable customer payback periods and other customer acceptance criteria should also be considered. For any case where APS intends to establish or increase an incentive in excess of 50% of incremental cost, APS will notify the Commission in writing with justification supporting such incentives.
- Within a customer sector (e.g. Residential); it is common that some programs may perform better than others. In this case, it is beneficial to have the ability to shift funds between programs within a sector. Therefore, up to 30% of a program budget may be shifted from a program in any given year. Budget dollars may be transferred to any other approved programs that serve the same customer sector (i.e. Residential or Non-Residential). Budget shifting between programs may occur only within a sector of customers, not across sectors. No budget dollars may be shifted between Residential and Non-Residential programs without prior approval from the Commission.
- Budget dollars will not be shifted away from the Low Income program, including special funding devoted to tribes, or from the Schools program.
- For the program period 2005-2007, APS will make reasonable efforts to limit the amounts expended for program Planning and Administration to 10% of the total funding for each program.
- To the extent that the Federal Energy Policy Act or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer incremental costs, APS may adjust such levels accordingly. All such changes will be reported in the Company's semi-annual DSM report.
- APS will notify the Commission in writing of any budget changes that would result in a significant change to a program's benefit/cost ratio (as measured by the Societal Cost Test). In no cases shall a budget change cause the benefit/cost ratio to be less than 1.0 (except for the Low Income Weatherization program).

## APS EnergyWise Low Income Weatherization Program

- For each program, dollars that are not spent in a given budget year will be automatically transferred (carried forward) to the next year's budget for that program.
- All budget shifts and other program changes will be reported in the semi-annual DSM reports submitted to the Commission. The report will explain why budget shifts and program changes were undertaken.